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1838-43

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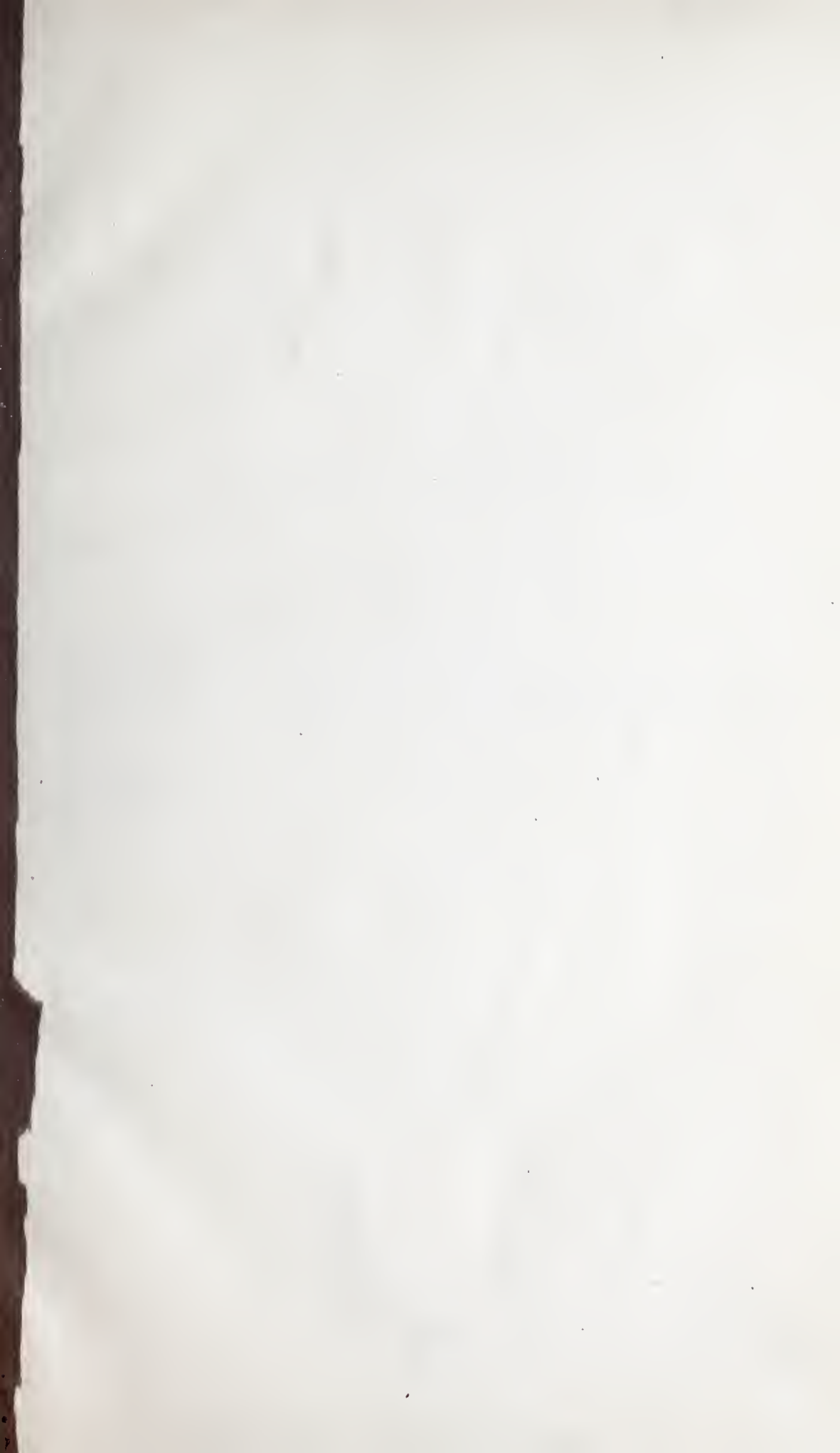


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# REPORT

OF A

## JOINT COMMITTEE

OF THE

SENATE AND HOUSE OF REPRESENTATIVES OF PENNSYLVANIA

UPON THE CONDUCT OF THE

## FINANCIAL AFFAIRS OF THE COMMONWEALTH

FROM

1838 to 1843.

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READ IN THE HOUSE MAY 15, AND SENATE MAY 16.

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# REPORT OF A JOINT COMMITTEE

## OF THE

# Senate and House of Representatives of Pennsylvania

Upon the conduct of the Financial Affairs of the Commonwealth, from 1838 to 1843.

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*Read in the House May 15th, and Senate May 16th, 1878, and ordered to be printed.*

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*To the Honorable the Senate and House of Representatives of the Commonwealth of Pennsylvania.*

During the month of February, A. D. 1878, the General Assembly passed the following preamble and resolution :

HOUSE OF REPRESENTATIVES,  
*February 8, 1878.*

WHEREAS, Editions of the works of popular authors are frequently reprinted in foreign countries, as well as in our own, in which it is asserted, that in the crisis of the credit of Pennsylvania, about the years 1839-43, repudiation of the obligations of this Commonwealth was declared in acts of the Legislature; that a refusal to pay principal or interest of her obligations took place in obedience to these enactments on the part of her State authorities; and asserting other erroneous charges :

*And Whereas,* This false representation of what then occurred fills a place in much of the current history of that period, misrepresenting the action of the State during a temporary derangement of her financial affairs; therefore,

*Resolved,* (if the Senate concur,) That a special committee of two members of the Senate and three members of the House of Representatives be appointed, whose duty it shall be to prepare a report of the legislative acts of that period, with a brief history of the conduct of the State officers under such acts, if any exist, to the end that the works of popular authors may no longer be quoted to asperse the good name of Pennsylvania.

In compliance with the foregoing instructions, the undersigned, the com-

mittee appointed by the Senate and House of Representatives, respectfully report as follows : \*

In order to properly understand the subject of the inquiry submitted to us, it is scarcely necessary to enter into a minute historical detail of the financial affairs of the Commonwealth. It is, however, proper to state that previous to the time when it was falsely charged that Pennsylvania had sunk into the disgraceful and dishonest practice of repudiation, her obligations had been met with unusual promptness, as we shall proceed to demonstrate by a rapid recapitulation of our financial history.

Prior to the war of the revolution, the subject of "internal improvements" had been agitated in our State, but it was not, however, until after the restoration of peace that these projects began to take real, substantial form.

Of the successive measures adopted tending to improve the means of interior traffic and development of the regions most contiguous to the center of our population, and to securing open avenues of trade to our eastern metropolis, then one of the most considerable of all the cities of the Union, we cannot stop to refer. To accomplish an object so ambitious, a grand system of public works was inaugurated. Its prosecution caused a larger public debt, and the revenues of the State were not sufficient to pay a tithe of the tremendous outlay.

In the year 1825, when we entered on this system of internal improvements, the entire debt of the Commonwealth was \$1,840,000. In 1833, this debt had grown nearly twenty times in amount, or to the sum of \$25,000,000. During a part of this period, a law imposing a State tax on real and personal property was in active existence, which yielded comparatively small revenues. In 1830, the first temporary loan was required to meet accruing interest on the debt, then rapidly increasing, and this make-shift became, for a number of years, a part of State policy and practice.

In 1835, as appears by the report of the State Treasurer, there was a deficit of \$60,000, notwithstanding the receipt of nearly \$3,000,000 of the surplus revenues of the United States.

In 1837-8, we find it was estimated that at the close of the fiscal year 1839, the supposed deficit would amount to \$3,872,254. This was provided for by additional loans. It was not until 1840, that vigorous measures were taken by the General Assembly to prevent further increase of the public obligations, by the passage of the tax law of that year.

This was the first halt in a career of heedless appropriations, without means to meet them. The provisions of the law of 1840 had been repeatedly pressed by all the Governors and successive State Treasurers upon the attention of the Legislature as the only alternative for financial relief, but such was the opposition to further imposition of taxes, in those por-

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\* The committee here desire to express their sincere thanks to Messrs. A. Boyd Hamilton, John B. Linn, and W. H. Egle, Esquires, for many valuable statistics, and also for much material aid in the preparation of this report.

tions of the Commonwealth not directly benefited by the "public works," that this important question remained undetermined so long, that there was imminent danger of financial wreck. This, however, was happily averted. In 1841, the first loans of the funded debt became due, with the interest on \$36,000,000 added.

A "permanent" loan was then authorized and negotiated. It was during this period that the subject of repudiation was hinted at by some ultra politicians, who, perchance thought, by this means, to ride into power. As for the people of the State *en masse* this was never thought of, much less broached; while everywhere, throughout the length and breadth of the State, her faith and credit were the subjects uppermost in the minds of its citizens. The failure to re-imburse or rather redeem the loans which first became due, caused deep regret; but feeling confident that the resources of this Commonwealth were ample to satisfy all claims, the General Assembly only echoed the voice of the people when, in January, 1842, it unanimously passed the following joint resolutions: \*

"*Resolved*, That the State stock issued by virtue of the laws of this Commonwealth is constitutionally correct, and that the citizens of the State are legally and morally bound to pay and redeem the same.

*Resolved*, That the faith and credit of the State does remain as heretofore unbroken, and that the property of the citizens is legitimately the subject of taxation for the full and entire payment of all the just demands on the treasury thereof.

*Resolved*, That the doctrine of repudiation of the liabilities of the Commonwealth is obnoxious in its tendencies, and calculated to be destructive of the principles on which the government is based, and that every good citizen is bound, by all moral as well as legal considerations, to cheerfully contribute his share towards the liquidation of the State debt."

By reference to the books of the State Treasurer, it will be seen that the foreign creditors were paid promptly, not always in coin, but in its value.

The trouble, or rather the dissatisfaction, came from the domestic creditors, who declined to receive certificates of indebtedness in lieu of immediate cash. The clamor thus created by this class of creditors was the sole cause of the oft-repeated, but never proven charge, against the Commonwealth, of repudiation of her obligations.

Pennsylvania, in her extremest financial distress, did not repudiate, made no proposition or laws in that direction, but all her public officers urged and asserted in every official utterance the preservation of the public faith.

Eventually, her pledges were redeemed dollar for dollar, either in certificates, relief notes, or in transactions of the State with her banks. If the payment of interest was suspended for a brief period, no individual suffering could have been severe. The State paid all her certificates with the interest added, not always in coin, it is true, but always in the money issued under the authority of her own laws.

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\* Journal H. of R., 1842, vol. 1, pages 14 and 56.



The whole loss to the State, on over \$30,000,000 of loans, from 1834 to 1845, was less than \$300,000 in exchange or interest certificates. In such a condition of affairs no one could have been greatly injured, even if the State was not as punctual as perhaps she would have been under a somewhat different condition of public policy.

The Legislature was careless and suffered the treasury to pay accruing interest from current loans, perversely inattentive to the protestations of the Executive and Treasury departments. Up to the moment of threatened default no system of taxation had been decided upon, and the result of such management was confusion and imminent loss of a good name.

Amid all this financial disaster, as heretofore remarked, the *foreign holders of loans had their interest promptly paid; and at no time was any loan of this Commonwealth disposed of at less than par.*

We may here state that an attempt was made at one period to call in part of the floating indebtedness, and a considerable sum was funded at four and one half and five per centum. To-day, the issues, of loans, created thirty years ago, are worth more than their face value at any rate of interest, and are eagerly sought after by investors.

To prepare the machinery necessary to bring about restored credit was a work of several years, and it was not until 1844 that the State Treasury was made easy by a balance, but at no period since that day, even in the darkest hours of the late civil war, when coin was at its highest value, has that department been without means to discharge every obligation—while at present it is able to purchase its public loans more rapidly than the holders are prepared to dispose of them.

Your committee are fully convinced that the charges so often made against the good name of Pennsylvania in regard to the non-payment of her obligations have no real foundation in fact—but as has been remarked by an able writer who has examined the subject very critically—she has “on the contrary acted with a sense of integrity.” They herewith submit numerous extracts from executive and legislative documents which they wish to be regarded as part of their report to prove the truth of the statements which they have made.

All of which is respectfully submitted.

HORATIO GATES JONES,  
D. M. CRAWFORD,

*Committee on the part of the Senate.*

WILLIAM P. SCHELL,  
W. M. RAPSHER,  
ALFRED HAYES,

*Committee on the part of the House of Representatives.*

May 1, 1878.

## APPENDIX.

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The following extracts from current State papers, exhibit the efforts made by the officers of the State to inform the General Assembly of the consequences of its financial legislation, and explain many phases of the course of financial events from 1834 until the period that the embarrassments of the State were substantially overcome :

**Tax Laws Suffered to Expire by their own Limitation—Means for the Future Provided in United States Bank Charter Law.**

“ Having found the Commonwealth involved in pecuniary embarrassment at the time the administration of its affairs was committed to my care, which left me no alternative, other than an appeal to taxation, which is always odious to the people, or an immediate abandonment of a great and most important public enterprise in which the State had engaged, upon which she had already expended a large amount of money, and had contracted for the expenditure of many millions more, and having met the emergency and taken the course to which my duty to the State, its interests, and its character pointed, but which place me in an unenviable situation of being the first chief magistrate to recommend a State tax for any purpose. I rejoice that the affairs of the Commonwealth have been brought to an issue so prosperous during the continuance of my administration, as to enable me to be the first, also, to announce to the representatives of the people and to our common constituents the cheering intelligence, which will not be more grateful to them than it is to myself, that further taxation for State purposes will not be required, and that the several acts of the 25th of March, 1831, for assessing a tax on personal property, and for increasing the county rates and levies for the use of the Commonwealth may, without injury to the public interests, be permitted to expire by their own respective limitations.”—*Extract from Governor Ritner's message, December 2, 1835, House Journal, Vol. 2, page 13, 1835-36.*

**Explaining the Resources of the Commonwealth.**

“ The balance which will be in the treasury at the close of the present financial year, is not the only means applicable to the reduction of the State debt. By the sixth section of the United States Bank charter act it is provided, ‘ that the said corporation shall also, when required by law, advance on permanent loan, any sum or sums, not exceeding in the whole six millions of dollars, and for each sum of money so loaned, shall receive from the Commonwealth a negotiable certificate of stock, re-imbursable on the



third day of March, one thousand eight hundred and sixty-eight, transferable at the Bank of Pennsylvania, or such other place as the Legislature may hereafter designate, bearing an interest of either four or five per cent. per annum, payable half yearly, at the Bank of Pennsylvania, or such other place as the Legislature may hereafter designate, as the law requiring such loan may determine; and in case the interest shall be five per cent. shall pay to the Commonwealth one hundred and ten dollars in money for each hundred dollars of stock.'

"This provision having, with the rest of the act, been accepted by the stockholders, is binding on the bank, and the benefit of it to the State is a part of the price agreed to be paid for the privileges granted." \* \*

—*Extract from Governor Ritner's message, December 8, 1836, House Journal, Vol 2, page 39, 1836-37.*

#### How Public Improvements Paid for.

"The public improvements have been constructed by money obtained on loan, and the repairs have, *until* the present year, been made from the same source; the tolls being pledged for the payment of interest."—*Extract from State Treasurer Lawrence's report, House Journal, Vol. 2, page 68, 1836-7.*

#### Action of the Governor in Reference to a Reduction of the Estimates for the Public Improvements.

"It will be perceived that in allotting the appropriations, the estimates of the canal commissioners have not been throughout adhered to. If the state of the treasury would permit it, I should not undertake to differ from the proper public agents on a matter committed to their charge. But taking into view the whole wants of the State in connection with the present condition of the treasury, I find it impossible fully to concur in their recommendations without a permanent increase of the public debt. I have, therefore, been compelled to reduce the various estimates.

"I know that they are generally less than have been expected by those connected with the different works, and the only reason which can or need be assigned, is the *inability* of the treasury to afford more. If the Legislature should, however, think proper to increase the appropriations to the Erie and North Branch canals, and the Gettysburg railroad, and to the turnpikes, by authorizing a temporary loan from the bank of the United States, under its charter, at four per cent., to meet the difference when the funds in the treasury shall be exhausted, I shall have no hesitation to concur.

"Perhaps, under all the circumstances of the case, this measure may be right in another point of view. It may be that our reasonable calculations on a restoration of the usual prosperity of the country will be again disappointed, and that the receipts into the treasury will not be sufficient to meet the appropriations recommended. Authority to negotiate a temporary loan of a limited amount to guard against this contingency might much promote the public interest, and can do no evil. I have no doubt

but that the amount of such loan will be repaid out of the ordinary resources of the following year. The good effect of the temporary loan, which saved the character of the State during last summer, will prove the wisdom of the measure.”—*Extract from the message of Governor Ritner, December 6, 1837, House Journal, Vol. 2, pages 24 and 25, 1837-38.*

#### The Faith and Credit of the Commonwealth to be Paramount.

“The State Treasurer conceives it to be his duty to inform the Legislature, inasmuch as many of the important items of revenue are, in their nature, subject to fluctuation, and exposed to the effect of untoward events not within the range of calculation, it, therefore, would be proper to vest sufficient authority somewhere, to provide temporary means to meet any deficiency, should such occur.

“The faith and credit of the Commonwealth should be held paramount to all other interests, and we should carefully guard against the possibility of its breach.

“For several years the revenue of the State has appeared, by the reports of the financial officers, to be in a flourishing condition, and was in reality so for the time being, but was certainly not of that permanent character on which the statesman could rely with confidence. If any one will take the trouble to examine the reports on finances for some years back, he will find that the ordinary revenue did not meet the ordinary and extraordinary expenditures.”—*Extract from State Treasurer Sturgeon's report, House Journal, Vol. 2, page 50, 1837-38.*

#### The Deficit in the Treasury.

“The above balances of the appropriations, per act of the 14th of April, 1838, unpaid, together with the various local appropriations, under the head of colleges and academies, common schools, penitentiaries, and miscellaneous objects, after applying all the available means of the Treasury for the succeeding year to their liquidation, will leave a balance due and unpaid, on the 31st of October, 1839, amounting to \$2,791,254 39. But even the above deficit does not meet all the liabilities of the Commonwealth. There is no amount in the estimate of the State Treasurer for the ordinary repairs, which will not be less than \$350,000 or \$400,000; this will increase the deficit to \$3,151,254 39. There is another item which may or may not be chargeable to the Commonwealth, the amount of which is unknown, and its character undefined; I allude to the repairs on the Frankstown breach; of this I will say more hereafter.\* Thus the Legislature will have to provide funds to meet prior deficiencies, and including the sum necessary for repairs the succeeding year, \$3,151,254 39, before making an appropriation to our internal improvements, or to objects of any other character.

“In making up the State debt, I have charged the State with all moneys

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\*The deficit on the Frankstown branch was nearly \$700,000. The real deficit \$3,872,254.

for which she is liable and is bound to pay. This sum is real, and must be paid when demanded." \* \* \* \* \*

"You will perceive by referring to the receipts of the fiscal year, ending 31st of October, 1838, that there was paid into the treasury \$2,769,087 29, including the sum of \$775,000 borrowed on temporary loans, and including also \$264,722 39 received on bank bonuses and interest on surplus revenue. If from the first sum you deduct the two last items, being extraordinary revenue, you have the amount of receipts of revenue of an ordinary and permanent character, \$1,729,363 90.

"Permit me to refer you to the estimated receipts for the year ending 31st October, 1839, amounting to \$2,124,100, to which add the balance in the treasury on the 31st October, 1838, \$99,359 30, making together \$2,223,459 30. The expenditures for the same period will amount to \$5,014,713 69, which will leave a deficit of \$2,791,254 39, without including the amount necessary for ordinary repairs. In the receipts of the present fiscal year I have not added the fourth installment of the surplus revenue payable to the several States on the 1st of January, 1839, as the strong probability is it will not be received. For further information on this subject, I refer you to the annexed letter from the Secretary of the Treasury of the United States.

"In this, as well as in my former report, I have undertaken to show that the ordinary expenditures exceed the ordinary revenue, and that the deficit was met by incidental revenue, which was neither permanent in its character nor of such a nature that it could be safely relied on to meet demands that were yearly increasing. This incidental revenue, including the bonus received on chartering the United States Bank by the State, the several bonuses received for the re-charter of other banks, and the surplus revenue received from the United States, has all been received and expended; and hereafter the treasury will have to depend on its ordinary resources to meet its expenditures." *Extract from State Treasurer's report, House Journal, vol. 2, pages 5, 6, 7, 1838-39.*

#### Profuseness of Appropriations.

"The appropriations of last session were made with great profusion. They exceeded, by nearly one million of dollars, the amount which a prudent foresight seemed to me to justify. At the commencement of the session, a full exposé of the means of the State, and the most pressing claims upon the treasury was exhibited. During the course of the session an adherence to moderation in expenditure was attempted, to be enforced by every means within the power of the Executive, on every proper occasion, but without success. And, finally, the unpleasant alternative was presented, as had been foreseen, of sanctioning appropriations of which, in the existing condition of the public finances, he could not approve, or of wholly obstructing the use of the completed works, by defeating a bill containing the indispensable provision for repairs. Under these circumstances, that bill was sanctioned, but no act of my public life was ever per-



formed with greater reluctance.”—*Extract from Governor Ritner’s Message, December 27, 1838. House Journal, Vol. 2, page 46, 1838–39.*

“By these loans, the only control over which allowed to the Executive was that of keeping down the rate of interest, the State Treasury, in spite of calculations and estimates to the contrary, has continued, and still does continue to discharge all the claims against the Commonwealth.”—*Extract from Governor Ritner’s Message, December 27, 1838, House Journal, Vol. 2, page 47, 1838–39.*

Extent of the State Indebtedness and its Financial Embarrassments.

On a recapitulation of the foregoing statements, it appears from them that the public debt amounts to the sum of, . . . . .	\$34,141,663 80
The public property to, . . . . .	33,259,085 28
<hr/>	
Balance, . . . . .	\$882,578 52
The ordinary expenditures of the Commonwealth for all purposes for the last year, are, . . . . .	\$2,708,863 47
The ordinary revenue from all sources for the same year, amounts to, . . . . .	1,621,119 84
<hr/>	

Leaving a gross balance against the State of, . . . . . \$1,087,743 63

“The affairs of the Commonwealth have been for several years gradually verging on towards deeper and deeper embarrassment, until we have, at length, reached this unexpected deficiency of funds in the treasury, to meet the demands upon it. The people have been told, again and again, that our fiscal condition was flourishing and prosperous, while, in fact, our prosperity was all based on paper calculations and loans, which loans, we are just now beginning to perceive, bear interest, and are some day to be paid. We are now compelled to forego all temporary expedients, and look the true state of things in the face. We must resort to taxes, the sale of public improvements, or to further loans. The public improvements cannot be sold, but at a most ruinous sacrifice; and as to loans, it is doubtful whether we can procure them at all, unless at an unwarranted rate of interest. Notwithstanding all these difficulties, the sum due by the State must be paid. To obtain the means, we have at best a choice of evils, and we ought to select that which will impose on the people of the Commonwealth least inconvenience and detriment.”

\* \* \* \* \*

“Until within the last year we have been able not only to borrow money without difficulty, on State stock in Europe, but to pay the interest arising on former loans by new ones. We felt little of the inconveniences of this bloated system of credits, and seldom reflected that a day of reckoning would come when we could thus pay our debts no longer. States, banks, corporations, and individuals, all moved forward in harmonious unison,

borrowing all they could and wherever they could, without reference to their future ability and means of re-payment. The delusion is at last over. State stocks are now an unsalable drug in foreign markets, and we are called upon for the interest on our permanent loans, and have no means of paying it, unless we export specie, rely on the remote avails of our agricultural productions, or dispose of more State stock at a ruinous sacrifice, if, indeed, we can dispose of it at all. The time for sober reflection has arrived, and the different States must now determine whether they will or not persist in a course of policy which has thus far been productive of such serious evils. Shall the States of this Union plunge deeper into debt and embarrassment, or shall they make economy and prudence their motto, resolved to extricate themselves as soon as possible, and be free? This is the question, and I trust Pennsylvania is ready to take her stand with those who follow the dictates of prudence and economy.”—*Extract from the Message of Governor Porter, January 8, 1840, House Journal, Vol. 2, pages 13-19, 20, 1840.*

**Report upon the Payment of Interest to Foreign Creditors.**

*To His Excellency, David R. Porter :*

SIR: By a resolution of the General Assembly of 2d July, 1839, the Secretary of the Commonwealth, the Auditor General, and the State Treasurer, are constituted commissioners on behalf of the State, to inquire whether the interest contracted to be paid by the Commonwealth on its public loans, and which fell due and was payable in August, 1837, in February, 1838, and in August, 1838, was paid in legal money of the Commonwealth, according to the terms of such loans, and if they ascertain that the same was not so paid, but was paid in promissory notes or credits, or other currency whatever, of less value than money, then to ascertain and determine what was the current difference between the market value of such notes, credits or currency, and the lawful money in which of right such interest ought to have been paid, and to certify the same to the Governor.

“By a proviso of the same resolution, the commissioners, before proceeding to make the inquiries directed, are required to give at least ten days’ notice to the Bank of Pennsylvania, and to admit the bank to present evidence before them in relation thereto.

“In pursuance of this resolution, the Secretary of the Commonwealth and State Treasurer proceeded to Philadelphia, in August, having first given the notice required by the resolution to the Bank of Pennsylvania, the Auditor General being absent from the seat of government upon public business at the time.

“In the performance of the duty required of the commissioners, the Bank of Pennsylvania, as well as other institutions and individuals to to whom application was made for information upon the subject of inquiry, furnished promptly all the facts required.

“The requirements of the resolution are :



"1. To inquire whether the interest contracted to be paid by the Commonwealth on its public loans, and which fell due in August, 1837, and February and August, 1838, was paid in legal money of the Commonwealth.

"2. If it was not so paid, but was paid in promissory notes or credits, or other currency of less value than money, then to ascertain and determine the current difference between the market value of such notes or currency and the lawful money in which the interest ought to have been paid.

"3. To certify the result of their inquiries to the Governor.

"In answer to the first inquiry, it appears from the statement of the Bank of Pennsylvania where the interest was paid that it was not paid in specie, but in bank notes and bank credits, the funds for which was received from the State treasury in checks on various banks not paying specie.

"In answer to the second inquiry, it appears from the statement of the Bank of Pennsylvania, from a letter from the president of the Bank of the United States, and from other sources, that the difference at Philadelphia between specie and the market value of the currency in which the said interest was paid was, on the 1st of August, 1837, about 9 per cent. On the 1st of February, 1838, about 5 per cent. On the 1st of August, 1838, about 1 per cent.

"The whole amount of interest due and payable upon the public loans of the State was, on each of the above days, \$605,250 08. Of this interest there was due to

**Foreign Stockholders.**

On 1st of August, 1837, . . . . .	\$401,656 55
On 1st of February, 1838, . . . . .	399,052 57
On 1st of August, 1838, . . . . .	395,364 99

**Domestic Stockholders.**

On 1st of August, 1837, . . . . .	\$203,593 53
On 1st of February, 1838, . . . . .	206,197 51
On 1st of August, 1838, . . . . .	209,855 09

**To Banks within Commonwealth.**

On 1st of August, 1837, . . . . .	\$14,125 00
On 1st of February, 1838, . . . . .	13,125 00
On 1st of August, 1838, . . . . .	19,664 89

"The cashier of the Bank of Pennsylvania stated to the commissioners that he was the agent for foreign stockholders, and received interest upon their loans as follows:

On the 1st of August, 1837, . . . . .	\$215,829 11
On the 1st of February, 1838, . . . . .	228,197 77
On the 1st of August, 1838, . . . . .	230,698 95

"That of this interest due as above stated, on the first of August, 1837, the sum of \$7,083 97 was invested in certificates of State stock, and the balance, \$208,745 12, was remitted, December 14, 1837, with an allowance

by the bank of four months' interest at four per cent., and twelve and a half per cent. premium paid for the bills of exchange purchased.

The par of exchange upon London is considered about  $9\frac{1}{2}$  per cent. premium. That of the interest due on the 1st of February, 1838, the sum of \$10,364 80 was invested in certificates of State stock, and the balance, \$217,832 97, was remitted February 7, at a premium of 11 per cent. for the sterling bills bought. That of the interest due on the 1st of August, 1838, the sum of \$8,064 03, was invested in certificates of State stock, and the balance of \$222,634 92, was remitted August 3, 1838, at a premium of 9 per cent. for the sterling bills bought.

"From this statement, it appears that the foreign loanholders, for whom the cashier of the Bank of Pennsylvania is agent, did not receive their interest which fell due on the 1st day of August, 1837, when specie was worth 9 per cent. more than the notes of the bank, but did receive the amount in December, 1837, with four months' interest, at 4 per cent., in a sterling bill of exchange, for which they paid a premium of  $12\frac{1}{2}$  per cent., or 3 per cent. above par.

"And that for the sterling bills of exchange, to pay the interest which fell due on the 1st of February, 1838, when specie was 5 per cent. more valuable than the notes of the bank, the same loanholders paid a premium of 11 per cent., or  $1\frac{1}{2}$  per cent. above par, and that the sterling bills of exchange, to pay the interest which fell due on the 1st of August, 1838, were purchased at  $\frac{1}{2}$  per cent. below par, when the notes of the bank were 1 per cent. below the value of specie.

"Thus, more than one half of the amount of interest due to foreign stockholders was paid in sterling bills of exchange, purchased at a much lower premium than the premium on specie; and if the difference between the currency and the bills of exchange, in which the interest was paid by this agent, were adopted as the rule, it would amount,

On the 1st of August, 1837, to, . . . . .	\$17,733 75
On the 1st of February, 1838, to, . . . . .	8,881 87
Whole amount, . . . . .	<u>\$26,615 62</u>

"Other principal agents of foreign stockholders paid for sterling bills of exchange, in August, 1837, 20 per cent. premium, or  $10\frac{1}{2}$  per cent. above par; in February, 1838, they paid for sterling bills 11 per cent. premium, or  $1\frac{1}{2}$  per cent. above par; and in August, 1838, they purchased sterling bills at par. If the difference between the currency and the bills of exchange, in which the interest was paid by those agents, were adopted as the rule, it would amount,

On the 1st of August, 1837, to, . . . . .	\$62,068 13
On the 1st of February, 1838, to, . . . . .	8,881 87
On the 1st of August, 1838: No difference.	

Whole amount of difference, . . . . .	<u>\$70,950 00</u>
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“The commissioners have deemed it proper to state these facts, which would have been important had they been authorized to ascertain the actual loss sustained by the loanholders; but the resolution of the Legislature does not direct them to ascertain the actual loss, or the difference between the currency, in which the interest was paid, and bills of exchange, but the ‘*current difference between the market value of the notes, credits, or currency, and the lawful money in which, of right, such interest ought to have been paid.*’

“In compliance with the provisions of the resolution, the commissioners do certify—

“That the difference between specie, or lawful money, and the currency in which the interest due upon public loans of this State was paid, (excluding, as directed by the resolution, the amount due to banks within this Commonwealth which did not redeem their notes in lawful money at the times when the interest fell due,) was,

On the 1st of August, 1837, . . . . .	\$53,201 25
On the 1st of February, 1838, . . . . .	29,606 25
On the 1st of August, 1838, . . . . .	5,855 19
	<hr/>
Whole amount of difference, . . . . .	<u>\$88,662 69</u>

“FRS. R. SHUNK,  
“DANIEL STURGEON,  
“Commissioners.

“HARRISBURG, *December 13, 1839.*”

(See message of Governor Porter, House Journal, volume II, pages 45, 46, 47, and 48, 1840.)

The following resolution was passed in the Senate, April 17, 1840:

“*Resolved*, That the Secretary of the Commonwealth be directed to obtain an account of the assessed value of the real and personal property within the Commonwealth, at the several triennial assessments made in the various counties within the last sixteen years, and furnish the information to the Senate.”

From imperfect returns received, the following conclusions were arrived at by Francis R. Shunk, Secretary of the Commonwealth:

“First. That there is no uniform rule which governs all the counties in fixing the value of property at the assessments.

“Second. That in not a few counties different rules govern at different assessments.”—[*Extract from report of the Secretary of the Commonwealth to the Senate, May 26, 1840, Senate Journal, volume II, pages 703 and 704, 1840.*

**The Mode of Making Payments at the Treasury—The Effect of New Tax Laws.**

“It is proper here to remark that it has not been the uniform practice of the Legislature to provide sufficient revenue to meet the current demands upon the State treasury. The various appropriations of the public



treasure have exceeded the public income. Out of this state of things a custom has grown up at the treasury, it seems, to pay the demands upon it, as they are from time to time presented, without reference to the specific appropriation of part of the moneys therein to the payment of the interest upon the public debt, which falls due semi-annually on the 1st of February and 1st of August. \* \* \* \* \*

“ It is computed that the tax which will be rendered available under the act of the 11th June, 1840, entitled ‘An act to create additional revenue, to be applied towards the payment of interest, and the extinguishment of the debts of the Commonwealth,’ will amount to about \$600,000. The sum which will be raised under this act, together with the other resources of the Commonwealth, will most probably liquidate the interest account, without further resort to loans for that purpose. This act is to continue in force five years, and provides such a rule for the assessment of taxes as to fall with gentle weight on those who are little able to bear any addition to their expenses. \* \* \* \* \*

“ To impose taxes on any class of our fellow-citizens is not very agreeable nor a very popular task, but when, as in this case, the honor and fidelity of Pennsylvania must be sacrificed or a tax of this kind be endured, there are a few, very few men in the Commonwealth worthy to be ranked among her free, intelligent, and upright citizens, who will shrink from their share of the burden. When, too, it is known that those who recommended and who sanctioned the bill imposing the tax, are no more responsible for the necessity that compelled a resort to it, than any of those who are to pay it, the folly and injustice of those who would condemn, are rendered still more conspicuous. I found the debt upon which this interest was to be paid in existence when I assumed the functions of the Executive, and found nothing to pay it with. The treasury was exhausted, and no means left to meet this responsibility but further loans, a sale of the improvements or taxation. The first two were impracticable, and I was driven by stern necessity to the adoption of the latter alternative. I saw but one path before me open to pursuit, and that was the path of duty. I recommended taxation; that recommendation was adopted by the Legislature, and it is a source of proud gratification to me, when I consider that the people of Pennsylvania almost to a man, so far as I have been informed, with a firmness and patriotism worthy of themselves, have yielded to this necessity without murmur or repining. I feel fully convinced that at the expiration of the five years at furthest, with a reasonable degree of prudence, and with strict economy in the management of our affairs, the income of our improvements will render a renewal of this law wholly unnecessary.

“ If any difference of opinion exists as to the necessity of this tax, let these questions be answered by those objecting: Does not Pennsylvania owe this debt? Is she not morally and legally bound to pay it and its interest as it falls due? Can they point out any other mode by which this can be done? \* \* \* \* \*

“The deficiency in the funds set apart for the payment of the interest on the public debt falling due on the first day of February next, must be promptly provided for. By the act of the 11th June last, the Governor is authorized to procure it on loan, and for that purpose proposals have been invited. Whether the money can be procured, I know not, and in case it cannot, I see no other mode left to avoid the dishonor of the State credit, but the sale of a sufficient amount of the stock owned by the State, in one or the other, or all of the banks in which she is interested.”—*Extract from Governor Porter's Message, January 6, 1841, House Journal, Vol. 2, pages 7, 8, 9, 1841.*

#### Review of the Finances.

“The subject of deepest interest and greatest perplexity, that calls for our attention, is the financial condition of the State. Although I have, on several former occasions, entered into a full and minute exposition of this matter, I cannot refrain from again presenting it to your consideration, in a manner so distinct and plain, as to preclude, I trust, the possibility of misconception on the part of those who feel an honest desire to understand it. I am persuaded that however embarrassed may be the pecuniary affairs of the Commonwealth, nothing is needed to induce the people to provide means to extricate them, but a clear and candid exposition of the nature and extent of the liabilities to which they are subject. The time for concealment, evasion, and deception, on this point, is at an end. The contract has been made. The faith of the State is pledged, and every consideration of duty, and of honor, require of us to know our true condition, and to provide adequate means to meet our obligations, and to redeem our plighted faith.” \* \* \* \* \*

“The immediate difficulty of our situation arises mainly from the payment of the interest annually accruing on its debt. This interest is about \$1,800,000; and this sum it is incumbent on the State to provide as it becomes due.

“The inconsiderable portion of the funded debt, now redeemable, can be doubtless postponed until more auspicious times, but the interest admits of no such postponement. This is in a great measure payable to those who cannot afford to procrastinate its reception, and whose means of subsistence depend on the faithful adherence of the State to its solemn engagements with its loanholders. \* \* \* \* \*

“It is not to be disguised that we are deeply in debt, and that the times call for an unquailing fearlessness in our public functionaries, to meet the emergency and to provide the means for our extrication. The people are already burdened with taxation, and those burdens cannot be diminished if we expect to pay our debts. The conduct and motives of those who make provision to pay them may be misrepresented, and, for a time, misunderstood. Prejudice, from the sordid feelings of interest, may be invoked, and demagogues and unprincipled politicians will, doubtless, attempt to use it, to answer their own purposes. But the responsibility is



one which every honest public functionary must meet fairly and frankly; and in so doing he will be eventually sustained by the people at large, who never deliberately err; and who always will reward, with their confidence, an honest and fearless devotion to their true interests, even though it may at first have met with temporary disapprobation.

“The means to pay off the loan under the act of 4th May, 1841—to pay the foregoing creditors of the State, and the interest on the public debt—must be provided before the Legislature adjourns. Sound policy, nay, common honesty, demands this much at your hands, and I am persuaded, no member of the Legislature will shrink from a duty enjoined by such considerations as these.”—*Extract from Governor Porter's Message, January 6, 1842, House Journal, Vol. 2, pages 3, 4, 5, 6, 7, 1842.*

#### The Issue of Certificates.

“The State has always met the payment of the interest upon her public debt with punctuality, until the semi-annual payment due on the 1st of August last, when, for want of adequate provision for that purpose, certificates of the amount due to each holder of the stock were issued, bearing an interest of six per cent., payable in one year, agreeably to the act passed the 27th day of July last. It now becomes the imperative duty of the Legislature to make provision as well for its payment as for the payment of the interest falling due on the 1st of February and August next.

“Until some mode of raising the amount necessary for the payment of this interest, less burdensome to the people, is devised, the taxes imposed by existing laws seem to be indispensable. It may be worthy the consideration of the Legislature, however, whether the present defective system of making assessments and reaching the objects of taxation does not require revision. It is believed, if such revision be judiciously made, that no increase of the taxes now authorized would be necessary to produce an adequate amount from that source to cover the pressing demands made upon the Treasury.” \* \* \* \* \*

“The resolution of the General Assembly of the 7th of April last, ‘relative to the payment of interest to domestic creditors,’ provides that such of the creditors of the Commonwealth as do not choose to receive certificates of stock, shall be entitled to a credit for the amount of their claim on the books of the Auditor General, and shall receive interest at six per cent. on balances due for work done prior to the 4th of May, 1841, interest to be allowed from that date, and on balances due for work done since the 4th of May, 1841, interest to be allowed from the passage of the act. And the first section of the act of the 27th of July last, after making certain specific appropriations, directs whatever balance may be in the treasury on the 1st days of August, November, and February then next, after paying current demands on the treasury, to be divided pro rata among the domestic creditors having claims for work done prior to the 4th of May, 1841, or for repairs, etc., on finished lines of canal and railroad, previous to the 1st day of April, 1842. In pursuance of the foregoing acts, claims amounting

in the aggregate to \$1,191,710 23 were entered on the books of the Auditor General at the close of the financial year, of which sum \$597,461 78 was for work done prior, and \$594,248 45 for work done subsequent to the 4th of May, 1841. On the 1st day of August the treasury would not admit of a dividend, therefore the first and only instalment, twenty per cent., was paid on the 1st of November, together with all interest then due, which amounted, dividend and interest, to \$209,589 43.

“Notwithstanding the very satisfactory results which have grown out of the broad and liberal construction given by the Auditor General to the resolution of the 7th April, there yet remains a very deserving class of creditors, who have received none of its benefits, nor was it at all practicable to bring them within its provisions. The poor laborers, scattered along the improvements, who with their own hands do the work necessary to keep them in navigable condition, should be the objects of the first care of the government. In this instance they were entirely overlooked, the appropriation for repairs being inadequate.”—*Extract from Governor Porter's Message, January 4, 1843, House Journal, Vol. 2 pages 8–11, 1843.*

**The Legislature against the Doctrine of Repudiation.**

House Journal, 1842, vol. 1, pages 14 and 56.

“The Speaker laid before the House the proceedings of a meeting of the inhabitants of the city and county of Philadelphia relative to the repudiation of the State debt.

“Whereupon, a motion was made by Mr. Wright,

“That the said proceedings be referred to a select committee, and the said committee be instructed to report against the doctrine set forth in the proceedings of said meeting, and give to the creditors and the citizens of this Commonwealth the abiding determination of the constituted authorities of this State to maintain the faith of the Commonwealth. Adopted—ayes, 97; nays, 0.

“Hendrick B. Wright, Thaddeus Stevens, John H. Deford, John J. McCahan, and William A. Crabb were appointed said committee.”

“Journal of House of Representatives, volume 2, page 44, No. 10.

“Report relative to the subject of repudiating the payment of the public debt.

“Read January 10, 1842.

“Mr. Wright, from the select committee, to whom was referred the proceedings of a meeting held in the city of Philadelphia, on the 30th day of December, 1841, on the subject of repudiating the payment of the public debt, made report, viz:

“That from the fact that the meeting at the court house, in the city of Philadelphia, was held by the citizens of the State, lawfully assembled, they feel bound to treat the subject with that respect, at least, which parliamentary rules require, however, they may differ in opinion with the persons who participated in its proceedings. The Constitution of the State

and the inestimable bill of rights, our great Magna Charta, which forms a part of it, declares "that the citizens have a right, in a peaceable manner, to assemble together for their common good, and to apply to those invested with the power of government for redress of grievance, or other proper purposes, by petition, addresses, or remonstrance."

"This rule being laid down by the fundamental law of the land, brings the proceedings of the meeting properly before the law-making power of the Commonwealth, and is binding upon the Legislature, to at least *receive* the proceedings. The right of petition is inviolate. So should it be regarded. And the person who complains of a grievance, has a right to be heard; and should this constitutional provision be disregarded, the Legislature would be guilty of as flagrant a violation of law, as in the opinion of your committee, the persons who participated in the town meeting of Philadelphia were, of that good order and moral conduct, so essential to the perpetuation of our free government.

"Granting, then, that they have a right to be heard, and conceding, too, that the subject of their meeting was constitutionally a 'proper' one—your committee next examine its merits, if it have any, and the influences it is calculated to produce on the general welfare of the country. Its merits are all demerits, as relates to public faith—and its influence, as its participants, it is alleged, have character for morality, integrity, and patriotism, are of the worse possible tendency. But conceding that the meeting was composed of respectable citizens, a most strange and unaccountable spectacle is presented, for the first time in this Commonwealth, of an attempt to repudiate the payment of the State debt. In other words, to say to our foreign and domestic creditors, who have from time to time advanced funds to carry on the affairs of the government, and to construct our works of internal improvement, you shall neither be paid your principal nor interest. A doctrine certainly of the most abhorrent character.

"Your committee cannot but regard the measure, if carried into practice, as but a torch to kindle the embers of a revolution; the commencement of a state of things as much to be deplored as though a foreign foe was upon our borders. Where did this disposition to create a want of confidence in the public faith and credit originate? Who are its advocates? What is to be accomplished by it? Is it not, in fact, a plan set afloat by the mad and reckless schemes of wild speculation in the State stocks, designed to weaken the public opinion in the integrity and honesty of the Government, that a few unprincipled stock jobbers might speculate upon the timidity and fears of the holders of the State loans; or is there a bolder game of agrarianism, which aims at the destruction of the monuments of industry and enterprise everywhere to be seen in the Commonwealth, for the purpose of wholesale plunder? If the persons participating in this meeting were influenced by good motives, they are to be pitied; if by bad ones, their course cannot be too severely condemned. What are their arguments? One of the resolutions declares 'that in the contracting



of the so-called State debt, the faith of the Commonwealth had been unconstitutionally and illegally pledged, and the people are under no moral, legal, or political obligation to bear any burden of taxation, or make any sacrifice of personal comfort to keep it unbroken.' Another, in substance, that the Constitution confers no power upon the Legislature to construct works of internal improvement, or to contract loans; and that they will resist the collection of taxes imposed by law, for the payment of the State liabilities. As to the authority of the State Legislature to borrow money, or construct works of internal improvements, your committee deem it unnecessary to enter into any argument.

"It will be sufficient to say that the power of the State is sovereign and supreme in all matters not forbidden by the Constitution, or that may not conflict with the Constitution of the United States. And in that sovereign capacity, its Legislature may contract loans, issue certificates of stock, and do any matter or thing not prohibited in express terms by the Constitution. If, then, no powers of this kind are conferred, they are certainly not prohibited. In addition to this, the Supreme Court of this State, which is the Constitutional tribunal, has put this question to rest. Would it not, then, seem conclusive that the Legislature had absolute power over the subject? That their act was binding; and, as such, their laws should be enforced? Besides this, however, there has been a peaceful and willing acquiescence, by the citizens at large, during the time the State debt has been gradually augmenting; and the people themselves, by repeated expressions at the ballot-boxes, have decided in favor of the measures of internal improvement, and instructed their representatives, in General Assembly met, to vote for appropriations of money to extend them. The whole question has been one of public notoriety, and in which all have participated.

"But suppose this had not been the case, and the Legislature had acted against the opinions of a majority of the people of the Commonwealth, still they were their representatives, to whom all power was delegated, and the laws would have been equally operative in their effect, and the State bound by the enactment.

"What an exhibition does this plan of repudiation present to the other States of the confederacy, and to the world? A sovereign and independent government defrauding its creditors, and violating every principle of common honesty and justice! The influence of Pennsylvania on the Union is powerful. Its acts and operations vibrate from Maine to Georgia, from the Atlantic to the Lakes. Her central position, her wealth and power, give to her an importance that should caution her citizens against the adoption of pernicious measures. Spare the reflection that will be made by the universal world, that the land of our fathers has forsaken the ways and examples they set before us, and permit not our beloved Commonwealth to become a theme of reproach, a by-word.

"There is no moral influence or patriotic devotion, to the country and

its laws, that will appeal to the resistance of the force of the statute-book. And yet, the resolutions under consideration say: 'That we will unitedly and determinedly resist, by all constitutional and legitimate means, the collection of the present, or any future tax, levied for the purpose of paying either the interest or principal of the so-called State debt.' What the authors of the resolutions call 'constitutional and legitimate means' to-day, may be called open rebellion to-morrow. It is the entering wedge, and who can but believe, that if the promulgators of such doctrine had the power in their hands to resist the collection of taxes, that it would not be instantly done? Resist taxation! Resist the operation of the law of the land! Nullify the law, and there is an end to the government. It presents the peaceable administration of civil policy and obedience on the one side, and on the other, open and violent force, called, it is true, by the mild name of 'constitutional and legitimate resistance.' Inculcate, by precept and example, the violation of one law, and all others become weak, futile, and inoperative. How truly so in a country where men are educated to govern themselves. The highest duty the citizen has to perform to his country is the strict observance of her laws. Here public opinion is the great lever by which the conduct of men is regulated, and the science of government directed. Vitate that, corrupt the public mind, and a state of disastrous consequences is the inevitable and certain result. All experience shows it. No one can doubt it.

"The same bill of rights which declares that 'all men are born equally free and independent, and have certain inherent and indefeasible rights, among which are those of enjoying and defending life and liberty, of acquiring, possessing, and protecting property and reputation, and of preserving their own happiness,' also declares that 'no standing army shall, in time of peace, be kept up without the consent of the Legislature,' showing at a glance that the founders of the government relied on the integrity and intelligence of the people, and that the laws would be obeyed without a resort to the coercive power adopted by despots and tyrants, where the decree of the legislator is enforced at the point of the bayonet.

"It is the first instance in this government, where the sentiment has gone forth, that 'the people are under no moral, legal or political obligation to bear any burden of taxation, or to make any sacrifice of personal comfort to keep the faith of the State unbroken.' It is to be hoped it will be the last. It is, virtually, a direct appeal to rebel, to throw themselves under that same Constitution, (with false notions of their rights,) which is their only safeguard, and the bulwark of the State government.

"Your committee cannot conceive of a more mischievous plan of operations than the one recommended by the meeting which adopted these resolutions. The stock of Pennsylvania is mostly held by foreigners, and for which they have paid a valuable consideration. To pay it is a point of national honor. What would be the consequences of repudiation? Where is the enterprising trader upon the high seas who would be safe in



his property or person? Either would be liable to seizure. The stars and the stripes at the mast-head, which now is our mariners' guide and safeguard on every ocean, would no longer be regarded by the envious eye of the world as the proud emblem of that people who have knowledge and virtue enough to govern themselves, but rather as the flag of a mercenary band, who, having obtained, by deceit, and fraud, and falsehood, the wealth of other nations, have neither the magnanimity nor the honor to repay.

"God forbid that the faith, and honor, and credit of this great Commonwealth should ever become the subject of reproach in the mouths of monarchs; and Pennsylvania, too, the first in the confederacy in wealth and influence—the keystone of the federal arch—the right arm of the republic—represented in the glorious constellation of the immortal thirteen which first struck for independence, should hereafter be accused, at the great bar of nations, for having broken her faith, and, coward-like, shrunk from the payment of her just debts. How humiliating the thought! Should not the terror of the popular voice be brought to bear with such force on such doctrines as to forever seal the lips of the mouths that uttered them?

"Let the strict observance of the plighted faith of Pennsylvania be the watchword of her citizens, and let our children be taught to regard it as the best inheritance of their fathers.

"Your committee recommend the following resolutions:

"*Resolved*, That the State stock issued by virtue of the laws of this Commonwealth is constitutionally correct, and that the citizens of the State are legally and morally bound to pay and redeem the same.

"*Resolved*, That the faith and credit of the State does remain, as heretofore, unbroken, and that the property of the citizens is legitimately the subject of taxation for the full and entire payment of all the just demands on the treasury thereof.

"*Resolved*, That the doctrine of repudiation of the liabilities of this Commonwealth is obnoxious in its tendencies and calculated to be destructive of the free principles on which the government is based, and that every good citizen is bound by all moral as well as legal considerations to cheerfully contribute his share towards the liquidation of the State debt."

**The Charge of Repudiation cannot be Fastened upon Pennsylvania.**

The person who has written the most ably and most at large on the subject, the Honorable John William Wallace, of Philadelphia, and who published anonymously, in 1863, a pamphlet, entitled "Pennsylvania as a borrower; some considerations on her ancient credit; her rising prospects and her policy in future," in which the whole argument against the State was presented, was yet impelled by the truth to say "that she did not at the time, (1842-43, and 44,) it is true, repudiate her debt, as it has been charged upon her that she did. On the contrary, she here acted with a sense of integrity. But she has wofully discredited her capacity to manage concerns of finance, and she was more backward than she ought to have been in laying taxes to pay her interests."





